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6 March 1987

MEMORANDUM FOR: Harvey Shapiro
Deputy Director, Office of East-West Trade
Department of Treasury

FROM:

Acting Chief, Eastern Regional Economics
Issues Branch
East European Division
Office of European Analysis

SUBJECT: Support for Secretary Baker's meeting with
the Polish delegation

1. Attached is our response to your request for support in preparation for Secretary Baker's meeting with the Polish delegation.

2. Table 1 outlines the principal and interest payments due under the Polish rescheduling agreements and new money packages from commercial banks when these were tied to a rescheduling agreement. In particular, I want to call your attention to the 1986 Government Agreement which was initialed but never signed. When this agreement is eventually renegotiated, the figures for amounts due would of course change.

3. Table 2 describes the terms of the rescheduling agreements including obligations covered, amount of debt relief, and the repayment terms. We have provided in the comment section of this table our best estimate of arrears owed under the rescheduling agreements through the end of 1986.

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4. I hope this information will prove useful to your needs.

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Attachments:
As Stated

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SUBJECT: Support for Secretary Baker's meeting with the Polish delegation

DDI/EURA/EE/EREI, [REDACTED] (6 March 1987)

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Distribution:

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TABLE 1: REPAYMENTS DUE UNDER THE POLISH RESCHEDULING AGREEMENTS

YEARS		1982	1983	1984	1985	1986	1987	1988	1989	1990
(Debt Relief)										
(Spread over LIBOR)										
UNDER RESCHEDULING AGREEMENTS		781	852	791	1427	1821	2400	3680	3261	4305
I) 1981 Paris Club Agreement	2000	241	181	203	166	610	574	548	510	0
a) Interest	1.00%	241	181	203	166	110	74	48	10	0
b) Principal Repayment		0	0	0	0	500	500	500	500	0
II) 1981 Bank Agreement	1957	483	191	214	438	123	164	571	0	0
a) Interest on rescheduled amounts	1.75%	251	191	214	158	95	51	12	0	0
b) Deferred Principal		103	0	0	0	0	0	0	0	0
c) Rescheduling Fee		29	0	0	0	0	0	0	0	0
d) Interest due April-January		100	0	0	0	0	0	0	0	0
e) Principal Repayment		0	0	0	280	28	112	559	0	0
III) 1982 Bank Agreement	2225	57	380	243	201	166	232	703	650	0
a) Interest on rescheduled amounts	1.75%	0	218	243	201	150	105	67	14	0
b) Deferred Principal		0	117	0	0	0	0	0	0	0
c) Restructuring Fee		7	15	0	0	0	0	0	0	0
d) "Gap Interest"		50	30	0	0	0	0	0	0	0
e) Principal Repayment		0	0	0	0	16	127	636	636	0
IV) 1983 Bank Agreement	1192	0	100	132	109	91	89	213	265	301
a) Interest on rescheduled amounts	1.875%	0	0	132	109	91	89	94	86	62
b) Deferred Principal		0	63	0	0	0	0	0	0	0
c) Principal Repayments		0	0	0	0	0	0	119	179	238
d) Interest on late 1983 interest		0	20	0	0	0	0	0	0	0
e) Restructuring fee		0	17	0	0	0	0	0	0	0
V) 1984-87 Bank Agreement	1382	0	0	0	180	104	102	234	348	321
a) Interest on rescheduled amounts	1.75%	0	0	0	125	104	102	109	96	70
b) Deferred Principal		0	0	18	55	0	0	0	0	0
c) Principal Repayments		0	0	0	0	0	0	126	251	251

d) Rescheduling Fee		0	0	14	0	0	0	0	0	0
VI) 1982-84 Government Agreement	10765	0	0	0	332	515	1030	1093	1145	2576
a) Interest on rescheduled amounts	1.00%	0	0	0	0	0	773	964	1017	868
b) 1981 Interest Arrears		0	0	0	332	0	0	0	0	0
c) 1985 Interest Arrears		0	0	0	0	515	0	0	0	0
d) Repayment of deferred interest		0	0	0	0	0	258	129	129	0
e) Principal Repayments		0	0	0	0	0	0	0	0	1708
VII) 1985 Government Agreement	1371	0	0	0	0	207	91	105	114	107
a) Interest on rescheduled amounts	1.00%	0	0	0	0	207	91	105	114	107
b) Principal Repayments		0	0	0	0	0	0	0	0	0
VIII) 1986 Government Agreement	900	0	0	0	0	0	60	69	75	71
a) Interest on rescheduled amounts	1.00%	0	0	0	0	0	60	69	75	71
b) Principal Repayments		0	0	0	0	0	0	0	0	0
IX) 1986-87 Bank Agreement	1789	0	0	0	0	4	58	144	155	929
a) Interest on rescheduled amounts	1.375%	0	0	0	0	0	58	144	155	96
b) Principal Repayments		0	0	0	0	0	0	0	0	833
c) Rescheduling Fee		0	0	0	0	4	0	0	0	0
UNDER NEW MONEY PACKAGES FROM BANKS		0	0	82	84	70	69	92	711	499
I) 1982 Agreement	374	0	0	40	34	28	28	32	397	0
a) Interest (spread: 1984)	1.50%	0	0	40	34	28	28	32	23	0
b) Principal (spread: 1985-89)	1.75%	0	0	0	0	0	0	0	374	0
II) 1983 Agreement	479	0	0	33	27	23	22	39	42	499
a) Interest (spread: 1984-87)	1.75%	0	0	33	27	23	22	39	42	20
b) Principal (spread: 1988-90)	1.50%	0	0	0	0	0	0	0	0	479
III) 1984 agreement	257	0	0	9	23	19	19	22	272	0
a) Interest	1.75%	0	0	9	23	19	19	22	15	0
b) Principal		0	0	0	0	0	0	0	257	0

TABLE 2: TERMS OF THE POLISH RESCHEDULING AGREEMENTS

Agreement	Date of Agreement	Date of Signature	Obligations Covered	Amount of Debt Relief	Repayment Terms		Comments
					Interest Rate	Repayment Period	
1981 Paris Club Agreement	March 1981	April 1981	90 percent of principal and interest on medium and long term loans in arrears of 1 May - December 1981	\$2.0 billion	Varies with creditor; generally 1 percent above domestic government borrowing rate	January 1986- July 1989	Arrears estimated at \$160 million
1981 Bank Agreement	August 1981	April 1981	95 percent of payments on medium and long term debt due 26 March 1981 - 31 December 1981	\$2.0 billion	LIBOR plus 1.75 percent	December 1985- December 1988	Principal repayments due in 1986-87 rescheduled in September of 1986
1982 Bank ₁ Agreement	August 1982	November 1982	95 percent of principal on medium and long term debt due in 1982	\$2.2 billion	LIBOR plus 1.75 percent	September 1986- September 1989	Principal repayments due in 1986-87 rescheduled in September of 1986
1983 Bank ₂ Agreement	August 1983	November 1983	95 percent of principal on medium and long term debt due in 1983	\$1.2 billion	LIBOR plus 1.875 percent	January 1988- July 1992	Principal repayment schedule is graduated: 10 percent due in 1988, increasing 5 percent annually to reach 30 percent in 1992
1984-87 Bank Agreement	April 1984	July 1984	95 percent of principal due 1 January 1984 to 31 December	\$1.4 billion	LIBOR plus 1.75 percent	December 1988- December 1993	

			1987 on medium and long term debt				
1982-84 Gov't Agreement	January 1985	July 1985	100 percent of principal and interest due on medium and long term debt due in 1982-84	\$10.8 billion	LIBOR plus 1.00 percent	January 1990-July 1995	Arrears estimated at \$515 million
1985 Gov't Agreement	November 1985	November 1985	100 percent of principal and interest due on medium and long term debt due in 1985	\$1.4 billion	LIBOR plus 1.00 percent	January 1991-July 1995	Arrears estimated to be at least \$140 million
1986 Gov't Agreement	March 1986	N.A.	100 percent of principal and interest due on medium and long term debt due in 1986	\$900 million	LIBOR plus 1.00 percent	August 1991-February 1995	Initialed but never signed due to arrears on the 1981 and 1985 agreements
1986-7 Bank Agreement ⁴	June 1986	September 1986	95 percent of principal due in 1986 and 80 percent of principal due in 1987 under the 1981 and 1982 agreements	\$1.8 billion	LIBOR plus 1.375 percent	June 1990-December 1991	4 year grace with a one year repayment period.

Footnotes:

- 1 Separate agreement provided that 50 percent of interest payments be relented in the form of 6 month trade credits, rolled over for 3 years at an interest rate of 1.5 percentage points over LIBOR.
- 2 Separate agreement provided that 65 percent of interest payments be relented in the form of 6 month trade credits, rolled over for 3 years at an interest rate of 1.75 percentage points over LIBOR.
- 3 Separate agreement calls for banks to extend 45 percent of their March 1981 exposure in the form of new loans, and 1 percent to be drawn December 1985. These credits carry an interest rate of 1.625 percentage points over LIBOR through 1986 and 1.725

4 percentage points over LIBOR during 1987-89. Repayment is scheduled for June to November 1989. The banks also agreed to extend until 1989 the repayment of credits provided under the 1982 facility. These were originally to be repaid in 1985. The interest rate will be raised to 1.75 percentage points over LIBOR. The agreement also provided that 15 percent of principal due in 1987 will be converted from medium term debt and used to supplement the 1983 revolving trade facility currently in effect. The expiration date on the 1983 trade facility was also extended two years from December 1987 to December 1989. The margin over LIBOR of the 1983 trade facility was lowered from 1.75 percent to 1.375 percent.